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C.I.A. Aide Suggests Saigon 'Settlement'

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WASHINGTON, Aug. 22—An official of the Central Intelligence Agency has suggested the possibility of "some kind of negotiated settlement" of the hostilities in South Vietnam.

According to the proposal, which was made public but not endorsed by Administration sources, the negotiated settlement would be based upon neutralization of the area.

Willard Matthias, a member of the agency's Board of National Estimates, one of the highest units in the body, was the author of the suggestion in a 50-page working paper dated June 8.

Administration officials emphasized that it did not reflect official United States policy. It was apparently made available because a copy was said to have been obtained by The Chicago Tribune, which indicated it planned to print excerpts.

Mr. Matthias observed in his paper that there was "serious doubt that victory can be won." He indicated that, at best, "a prolonged stalemate" might be achieved.

His paper was entitled "Trends in the World Situation."

When it was made available to the press it had a cover sheet, signed by Sherman Kent, chairman of the Board of National Estimates, stating that the papers had "general board approval, though no attempt has been made to reach general agreement on every point of it."

A colleague of Mr. Matthias described the paper as very thoughtful and said it had been distributed "because it was thought-provoking."

He said the best way to describe it was as a "think piece," typical of many distributed throughout the agencies of Government.

Qualified sources said, however, that while Mr. Matthias's views on negotiating a settlement did not reflect the official United States position, they were widely held in the Government and the subject of recurrent official discussions.

'Guarantees' Urged

An opinion that is often put forward in these discussions holds that negotiation simply to bring to an end to hostilities would be wrong without "self-enforcing" guarantees that the South Vietnamese would be left in peace.

At the same time, it is held that negotiation could be contemplated by both Washington and Saigon after military stabilization had been brought about by impressive victories against the Communist Vietcong.

On this point, however, Mr. Matthias's paper was gloomy. He wrote:

"The guerrilla war in South Vietnam is in its fifth year and no end appears in sight. The Vietcong in the south, dependent largely upon their own resources but under the direction and control of the Communist regime in the north, are pressing their offensive more vigorously than ever."

"The political mistakes of the Diem regime inhibited the effective prosecution of the war, which is really more of a political contest than a military operation, and led to the regime's destruction."

"The counter-guerrilla effort continues to flounder, partly because of the inherent difficulty of the problem and partly because Diem's successors have not yet demonstrated the leadership and inspiration necessary."

"There remains serious doubt that victory can be won, and the situation remains very fra-

gle. If large-scale United States support continues and if further political deterioration within South Vietnam is prevented, at least a prolonged stalemate can be attained.

"There is also a chance that political evolution within the country and developments upon the world scene could lead to some kind of negotiated settlement based upon neutralization."

The Administration has consistently turned away proposals for neutralization as an outcome of the hostilities in South Vietnam. President de Gaulle of France, in his proposals for such a settlement, has been rebuffed repeatedly at the White House, and the State Department.

However, from time to time members of Congress have displayed a positive interest in the neutralization proposals. The Senate majority leader, Mike Mansfield, urged the Administration last February to encourage rather than spurn the French efforts to negotiate with Communist China for a settlement based on neutralization.